

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE PETITION OF MALLARD POINT DISPOSAL	)	
SYSTEM, INC. FOR APPROVAL OF A CERTIFICATE	)	CASE NO.
OF CONVENIENCE AND NECESSITY TO CONSTRUCT	)	94-267
SANITARY SEWER FACILITIES AND FOR APPROVAL	)	
OF FINANCING	)	

O R D E R

By application filed July 13, 1994, Mallard Point Disposal System, Inc. ("Mallard Point") requested a Certificate of Public Convenience and Necessity for a proposed addition to its sewage treatment plant and approval of its financing. The proposed construction consists of an additional 100,000-gallon per day ("gpd") wastewater treatment plant, a 7,000-gallon sludge holding tank, and related appurtenances. The total cost of the proposed expansion is \$100,296.

The proposed financing consists of a December 31, 1993 First National Bank & Trust ("First National") note in the amount of \$200,000. This note had an interest rate of 8 percent per annum and was for a 1 year term. On December 31, 1994, the First National note was extended for a 3 month period at the same terms and conditions.

The 100,000 gpd package treatment plant that will be installed was purchased for \$111,028 in a lease/purchase agreement with American Equipment Leasing in 1989. This lease/purchase agreement

was executed without Commission approval and, therefore, is a violation of KRS 278.300(1).

Mallard Point's application is unclear as to what costs are being financed by the First National note. In its Amended Staff Report, the Commission Staff ("Staff") recommended interest expense be based on financing the treatment plant installation cost of \$100,296 over a 10 year term at an interest rate of 8 percent per annum. The Commission accepts Staff's recommendation to approve only \$100,296 of the First National Note.

Drawings for the proposed improvements prepared by Mayes, Sudderth and Etheredge, Inc., Lexington, Kentucky ("Engineer"), have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

The Commission, having reviewed the application, the information submitted subsequent thereto, and being otherwise sufficiently advised, finds that:

1. Public convenience and necessity require that the proposed construction be performed and that a Certificate of Public Convenience and Necessity be granted.

2. The proposed construction consists of installation of an additional 100,000 gpd wastewater treatment plant, a 7,000-gallon sludge holding tank and related appurtenances.

3. Any deviations from the construction approved should be undertaken only with the prior approval of the Commission.

4. Mallard Point should obtain approval from the Commission prior to performing any additional construction not expressly certificated by this Order.

5. Mallard Point should furnish duly verified documentation of the total costs of this project including the cost of construction and all other capitalized costs (ie., engineering, legal, administrative) within 60 days of the date that construction is substantially completed. Said construction costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Sewage Utilities prescribed by the Commission.

6. Mallard Point's contract with its Engineer should require the provision of construction inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to ensure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

7. Mallard Point should, within 60 days of the date of substantial completion of this construction, furnish a copy of the "as-built" drawings and a statement signed by the Engineer that the construction has been satisfactorily completed in accordance with the contract plans and specifications.

8. Only \$100,296 of Mallard Point's proposed First National note is for a lawful object within its corporate purpose, is

necessary, appropriate for and consistent with the proper performance of its service to the public, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Mallard Point be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction as set forth in the plans of record herein.

2. Mallard Point shall comply with all matters set out in Findings 3 through 7 as if the same were individually so ordered.

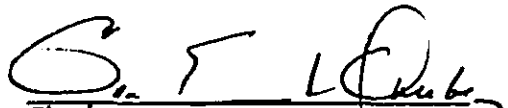
3. Only \$100,296 of Mallard Point's First National note is hereby authorized.


4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 26th day of January, 1995.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

ATTEST:

  
Executive Director

  
Commissioner